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TAGS: [ECON](#) [ENRG](#) [SENV](#) [IS](#) [ECONOMY](#) [AND](#) [FINANCE](#) [ISRAELI](#) [SOCIETY](#)

SUBJECT: PLANS FOR NEGEV/GALILEE DEVELOPMENT MOVING SLOWLY;
PERES CREATING ECONOMIC INITIATIVES FOR ARAB SECTOR

Classified By: Economic Counselor William Weinstein, reasons 1.4 (b) and (d)

1. (C) Summary: Although a plan for Negev development approved last year included significant funding levels, the current budget included no new funds. Current Negev initiatives include encouraging industry and the military to shift operations there, using solar power to generate electricity, developing oil shale resources, and cleaning up the Ramat Hovav hazardous waste disposal site. Development of a master plan for the Galilee is to start in July. Shimon Peres is pushing an expansive "Peace Valley" vision of cooperation with Israel's neighbors, but has clashed with the Infrastructure Minister over institutional turf battles and dealings with Jordan on the Red Sea-Dead Sea water transfer project. End summary.

The Negev -- Plans, But No Money

2. (C) Noah Kinnarti and Jill Reinach, advisors to Vice Prime Minister Shimon Peres, told NEA Senior S&T Advisor Charles Lawson and ESTH Officer June 15 that the development plan for the Negev region had been approved in a formal government decision at the end of 2005. The plan includes NIS 17 billion in spending over ten years, beginning in 2006, with Peres' Negev-Galilee development ministry as the coordinating body, even though most of the funds would be allocated through other ministries. The 2006 budget, however, included no/no funds to support the Negev development plan. Kinnarti said that people in the Negev were upset and were beginning to "act against the government" after supporting Kadima in the last elections. He added, "Israel bluffs itself with plans many times." He commented that Peres might be charged with resolving problems of the Bedouin. Peres' ministry continues to push industry to locate in the Negev. Other ministries provide incentives. The Negev/Galilee ministry acts like a "one-stop shop." In addition to his ministerial title, Peres is head of the Government Committee for Development of the Negev and Galilee. Major issues go through the Committee and Committee decisions can become government decisions if there is no objection from the Cabinet after a two-week waiting period. Interestingly, Kinnarti said that water would not be a major challenge for development of the Negev, as the focus was on industry, not agriculture. Water supply infrastructure would require NIS 300-500 million in funding.

Vision of All Electricity from Solar

3. (C) Peres' ministry is very involved in pushing solar energy projects in the Negev. This has led to clashes between Peres and Infrastructure Minister Ben-Eliezer and between Peres' staff and Infrastructure Director General Eli Ronen, Kinnarti said, because Eliezer has overall responsibility for energy development. Lawson and ESTH Officer briefed Kinnarti and Reinach on U.S. support for the International Partnership for the Hydrogen Economy (IPHE) and noted U.S. interest in Israel carrying out research in this promising alternative energy source and becoming a member of the IPHE. Kinnarti agreed that solar in the Negev had the potential to produce hydrogen for use in fuel cells. Peres has a vision of Israel producing its electricity from solar power within 30 years. The Negev/Galilee ministry does not get involved in evaluating specific technologies, but is looking for ways to support innovative companies. The Infrastructure Ministry has set aside 900 dunams in the Negev for solar energy projects. PM Olmert has directed the Chief Scientist in the Ministry of Industry and Trade to support Israeli companies who could contribute to the effort. Dov Raviv, who helped develop the Arrow rocket system at MOD, recently brought Peres' ministry a new project that will use off-the-shelf solar technologies to generate electricity at lower cost. Raviv proposes to build a pilot plant producing one to two megawatts of electricity to prove the concept. The Infrastructure Ministry had 50 million NIS for development of solar and Raviv was to identify an additional five million, Kinnarti said. Peres wants the pilot and future larger-scale plants to be located along the border with Jordan, as part of his vision of joint economic

development between the two countries and in the wider region.

Oil Shale

14. (SBU) Kinnarti told Lawson that there were two companies competing to develop Israel's oil shale resources. One company is the Israeli firm Rotem. Lawson noted that the Jordanians are interested in developing their oil shale resources as well. A Mexican investor had won the Israeli concession to the Timna copper deposits, which also extend to Jordan and Egypt, according to Kinnarti. That investor is also interested in oil shale development in both Israel and Jordan. Kinnarti noted that Israel was adopting a "private sector approach" to the development of the Negev's energy and mineral resources.

Ramat Hovav Hazardous Waste Facility

15. (C) Kinnarti told Lawson and ESTH Officer that the December visit of an expert team from the U.S. Environmental Protection Agency (EPA) had in one week provided conclusions and recommendations about the future of the Ramat Hovav industrial and hazardous waste site that had taken others months to reach. "EPA really pushed the (Israeli) system," he said. The related court-ordered arbitration is still in process. Industry at the site was still arguing with the Ministry of Environment (MOE) about the values of materials included in MOE licensing permits. Industry hired its own Dutch consulting firm (Note: MOE had earlier engaged a Dutch firm for expert advice on handling pollution issues at Ramat Hovav. End note.) and "they all went to Holland to argue," Kinnarti said. The army runs hot and cold about whether to shift hi-tech bases to the Negev, he said, although the major decision to do so had been made three times. Defense Minister Peretz is in favor of Negev development, but the question is how much he can push the military, Kinnarti commented.

A Master Plan for the Galilee

16. (SBU) In July, the government will announce the name of the person assigned to lead planning for the Galilee region, Kinnarti said. It will take a year and a half to produce a master plan. The GOI is trying to take steps to improve economic conditions for the Arab sector, which is concentrated in the Galilee. The Ministry of Industry and Trade has plans to set up one or two municipal industrial zones in Arab areas within the next year, Kinnarti said. These will include some high-tech operations. Kinnarti told Lawson that Motorola is planning to set up a development center in the Jordan Valley, with 500 software engineers in place within two years. Peres' ministry has proposed a similar center near Arab populations, near Sakhnin or Tamra in the Galilee, and Motorola has agreed, Kinnarti said.

Peres' Vision for the Region

17. (C) Reinach stated that Peres is also responsible for regional economic cooperation, heading the Inter-Ministerial Committee on Cooperation with Israel's Neighbors established in early June. Peres had encouraged the participation of a Canadian investor who was financing a water technologies incubation center on the Jordanian side of the Jordan Valley, Kinnarti said. The development ministry was asking Motorola to hire some Jordanians for its plant on the Israeli side of the valley, Kinnarti reported. Peres is pushing a "Peace Valley" initiative broader than the Red Sea-Dead Sea water transfer project, which he has also endorsed in discussions with King Abdullah. This has created further friction with Ben-Eliezer, who sees himself as having the lead on Red-Dead. The Peres version of Red-Dead includes more modest desalination plans than those in the current World Bank terms of reference for the project (50 million cubic meters per year vice 850 MCM/yr). Peres is also pushing a joint Aqaba-Eilat airport located on the Jordanian side of the border and the idea of a common rail line, focused on cargo services, that could eventually have links to Saudi Arabia. In the north, Peres sees a "Jordan Gate," with industry on the Jordanian side and Israeli customs facilitation of exports at the Sheikh Hussein border crossing. Peres also believes that Gaza trade should be connected to Egypt rather than Israel, Kinnarti said, with exports through El Arish.

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